

The aged care decision maze (2017-18)

Entering the Maze

Contemplating residential aged care is extraordinarily complex. There are difficult emotional, physical and financial questions to consider. Typically it comes when the older person is particularly vulnerable, perhaps after a fall or health scare.

They might be in hospital or in respite care and the decision to consider formal care needs to be made. Who makes this decision? Should it be a doctor? Or family? Would home care be better? What can the person afford? How far must the person move? How do they fund the entry and ongoing costs of care? Must the person sell their home?

The system does older Australians no favours. It is a complex maze, difficult to navigate even for professional financial advisers and people familiar with the health system. And the consequences of getting it wrong are high, whether it be financially or in quality of life.

The gatekeeper

Need is not enough. Prospective residents need to be formally assessed by their state-based ACAT/ACAS (Aged Care Assessment Team/Service).

No **Yes**

Next steps

Find somewhere suitable – consider cost, availability, services, other needs

Fallback position

- Retirement village
- Granny flat / private care
- Hospital / respite care
- Supported Residential Services
- Disability & mental health services

Each option has its own complex decisions

What are the costs?

1 – Accommodation Payment

Registered facilities publish their "bond" amounts at www.myagedcare.gov.au Residents assessed as "Low Means" do not pay the means tested care fee and may pay a contribution towards their accommodation.

2 – Daily care fee

Basic amount of \$49.07 (85% of the single rate of pension) + means-tested amount minus \$55.09 maximum accommodation supplement. Caps apply

How is the bond paid?

(A) Refundable Accommodation Contribution / Deposit (RAC / RAD)

Depending on if you need to pay for a part of your accommodation or the full cost, you will be asked to pay a fully refundable RAC or RAD.

or

(B) Daily Accommodation Contribution / Payment (DAC / DAP)

Any outstanding RAC / RAD converted to a daily payment with an interest rate currently set at a maximum of "5.73%pa (1/7/2017 – 30/9/2017)"

or

(C) Combination of both

RAC / RAD partly paid as a lump sum with the remainder converted to a daily payment.

Example:

\$400,000 RAD not paid upfront.

$\$400,000 \times 5.73\%$
divided by 365 = \$62.79 per day as a DAP

Example:

\$400,000 RAD with \$250,000 upfront.

$\$150,000 \times 5.73\%$
divided by 365 = \$23.55 per day as a DAP

Does it matter how it is paid?

- Sell the home? Spouse still living there?
- Borrow from family?
- Use superannuation or cash and investments?
- Impact of asset assessment on age pension?
- Impact on income and cost of living

Financial Advice

- The system is too complex for older Australians without professional help
- Costs will vary depending on the complexity of your financial situation. Speak to a professional adviser who can provide clear options and the right financial strategy for you

What about the daily care fee?

There are three parts:

Basic + Means tested care fee + Extra services fee (if additional services provided)

Income test

- Any income from assessable assets and investments
- Deeming rules apply to bank accounts or investments
- Financial strategies available to improve my situation

Assets test

- Any assessable asset in Australia or overseas
- The family home
- The RAD, (but not for pension purposes)

Total co-contribution

A formula is applied to the results of the income and assets tests to come up with a means tested care fee which is then added to the basic daily care fee

The total means tested care fee is capped at \$26,380.51pa or \$63,313.28 over a lifetime

What happens if the daily payment is too expensive?

This deficit can be deducted from the bond paid.

Apply for hardship supplement. This deficit can be deducted from the RAD paid. (But as the RAD diminishes, DAP increases to compensate)

Protected person

→ Not included in assessment

No protected person

→ Home to a maximum of \$162,087.20

Keep or sell the home?

A decision to keep or sell the family home can have major implications for you and your family. Considerations include:

- Capital growth v paying a lump sum RAD?
- Maintenance and insurance costs to hold the property?
- Costs to renovate the house to make it rentable?
- State of the rental market?
- Impact retaining or selling or renting on the age pension and on aged care fees?
- Potential to move back in?
- Family dynamics?